

ORIGINAL NEW APPLICATION



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DISTRICT OF COLUMBIA

June 29, 2006

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

Re: Las Quintas Serenas Water Co.  
Docket No. W-01583A-06-W-01583A-06-0436

Enclosed for filing in connection with the above-captioned matter are the original and thirteen (13) copies of an Application for Review and Approval of Proposed Arsenic Impact Hook-Up Fee Tariff.

Also enclosed are two additional copies of the Application for Review and Approval of Proposed Arsenic Impact Hook-Up Fee Tariff to be "filed stamped" and returned to our office in the enclosed addressed and stamped envelope.

Please let me know if you have any questions and thank you for your assistance.

Sincerely,

Angela R. Trujillo

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BEFORE THE ARIZONA CORPORATION COMMISSION P 12: 32

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**COMMISSIONERS**

**JEFF HATCH-MILLER, Chairman**  
**WILLIAM A. MUNDELL**  
**MARC SPITZER**  
**MIKE GLEASON**  
**KRISTIN K. MAYES**

IN THE MATTER OF THE APPLICATION OF  
LAS QUINTAS SERENAS WATER CO. FOR  
REVIEW AND APPROVAL OF PROPOSED  
ARSENIC IMPACT HOOK-UP FEE TARIFF

DOCKET NO. W-01583A-06-\_\_\_\_\_

APPLICATION FOR REVIEW AND  
APPROVAL OF PROPOSED ARSENIC  
IMPACT HOOK-UP FEE TARIFF

Pursuant to Decision No. 68718, as issued in Docket Nos. W-01583A-04-0178, W-01583A-05-0326, W-01583A-05-0340 on June 1, 2006 Las Quintas Serenas Water Co. ("LQS") hereby submits for (i) Commission Staff review and (ii) Commission consideration and approval that proposed Arsenic Impact Hook-Up Fee Tariff contemplated and required by the Ninth Ordering Paragraph of Decision No. 68718.

**I.**

**SUMMARY OF PROPOSED FEE**

Attached hereto as Appendix "A" and incorporated herein by reference is a copy of LQS's proposed Arsenic Impact Hook-Up Fee Tariff ("AIF"). Attached hereto as Appendix "B" and incorporated herein by reference is a copy of a capital cost breakdown of arsenic treatment facilities used to develop the AIF. Attached hereto as Appendix "C" and incorporated herein by reference is a copy of the AIF computation(s). The proposed AIF is similar in nature to a hook-

up fee that would be applicable to all new customer connections on LQS's water system on or after the effective date of the AIF. In calculating the same, LQS has taken into account both (i) the estimated cost of the arsenic treatment capital improvements which the Commission has authorized LQS to finance with a long-term loan from the Arizona Water Infrastructure Financing Authority ("WIFA"), and (ii) the estimated number of customers who will benefit from the construction and operation of such treatment facilities, including existing customers on the LQS system. In this regard, incident to preparing the proposed AIF, LQS has also reviewed and taken into account, where applicable, previous decisions of the Commission recently approving similar fees for several other water utilities subject to the Commission's jurisdiction.<sup>1</sup>

## II.

### USE OF PROCEEDS

In Decision No. 68718, the Commission has (i) authorized LQS to enter into a long-term borrowing arrangement with WIFA pursuant to which LQS will borrow the \$1.5 million needed to finance construction of the arsenic treatment capital improvements approved by the Commission in that decision, and (ii) authorized LQS to file an Arsenic Cost Recovery Mechanism ("ACRM") surcharge proposal by means of which revenues will be collected from its customers to service the WIFA loan. In the event that the AIF which is the subject of this Application is approved by the Commission, LQS proposes to use the proceeds therefrom to pay debt service and/or principal reduction(s) on the loan with WIFA. Through a combination of revenues collected pursuant to the ACRM surcharge and fees collected pursuant to the AIF, LQS

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<sup>1</sup> These decisions include the following: Decision No. 67669 (Valley Utilities Water Company; Docket No. W-01412A-04-0848); Decision No. 67882 (Big Park Water Company, Inc.; Docket No. W-01624A-05-0276); Decision No. 67886 (Little Park Water Company, Inc.; Docket No. W-02912A-05-0275); and Decision No. 68310 (Arizona American Water Company; Docket Nos. W-01303A-05-0280 et al.).

1  
2 should be in a position to pay off the WIFA loan in full at an earlier date than would otherwise  
3 be the case without the AIF.  
4

### 5 III.

#### 6 SUGGESTED CONDITIONS TO COMMISSION APPROVAL

7 Drawing upon the conditions that were attached to the Commission's approval of the  
8 arsenic impact hook-up fees approved in the decisions listed in Footnote No. 1 above, LQS  
9 suggests that the following conditions be included in a Commission decision considering and  
10 approving the attached AIF.

- 11 A. The monies collected under the AIF shall be used to pay for only arsenic  
12 treatment equipment and related appurtenances (including engineering and  
13 design costs for such facilities) necessary for the removal of arsenic through  
14 treatment of water to meet the 10 ppb arsenic standard
- 15 B. The AIF is applicable to all new service connections established after the  
16 effective date of the AIF.
- 17 C. The AIF shall be non-refundable; therefore, facilities installed using these  
18 funds shall be contributions in aid of construction.
- 19 D. All funds collected by LQS pursuant to the AIF shall be deposited into a  
20 separate account as named in the company's chart of accounts to be listed and  
21 kept separate from all normal business operating accounts and used solely for  
22 the purposes of paying for the costs of arsenic treatment facilities, including  
23 repayment of loans obtained for the installation of arsenic treatment facilities  
24 that will benefit the entire water system.
- 25 E. After all necessary funds are collected to pay for all Arizona Department of  
26 Environmental Quality required arsenic treatment facilities or the AIF has  
27 been terminated by order of the Commission, any funds designated as having  
28 been generated through the AIF not necessary to pay for arsenic treatment  
facilities remaining in the account shall be refunded.
- F. LQS shall be required to submit a calendar year status report each year by  
January 31<sup>st</sup> to Docket Control for the prior twelve (12) month period,  
beginning January 31, 2006, until the AIF is no longer in effect. This status  
report should contain a list of all customers that have paid the AIF, the

1  
2 amount each has paid, the amount of money spent from the account, the  
3 amount of interest earned on the AIF account, and a list of all facilities that  
4 have been installed with the AIF funds during the preceding 12 month  
5 reporting period.

6  
7  
8 **IV.**

9 **PROPOSED FEE NOT A RATE INCREASE**

10 Given the fact that proceeds received under the AIF would be treated as contributions in  
11 future LQS rate cases, and consistent with the pertinent Conclusion of Law reached in several of  
12 the decisions listed in Footnote No. 1 above, LQS believes that a decision issued by the  
13 Commission approving the AIF should include a Conclusion of Law that

14 "Approval of the filing does not constitute a rate increase as  
15 contemplated by A.R.S. Section 40-250."

16 **V.**

17 **CONCLUSION**

18 WHEREFORE, LQS hereby requests that the Commission issue an Opinion and Order  
19 (i) finding that the proposed AIF satisfies the directive to LQS set forth in the Ninth Ordering  
20 Paragraph of Decision No. 68718 and (ii) approving and conditioning the proposed AIF as  
21 hereinabove suggested and requested.

22 Dated this 29<sup>th</sup> day of June 2006.

23 Respectfully submitted,

24 Lawrence V. Robertson, Jr.

25 Lawrence V. Robertson, Jr.

26 P. O. Box 1448

27 Tubac, Arizona 85646

28 Attorney for Las Quintas Serenas Water Co.

MUNGER CHADWICK, P.L.C.  
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Original and thirteen (13) copies  
of the above Application  
were mailed this 29th day  
of June 2006 to:

Docket Control Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

A copy of the above Application  
was mailed on the 29th day of June 2006 to:

Ernest Johnson, Director  
Utilities Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Steve Olea, Assistant Director  
Utilities Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Christopher Kempley, Chief Counsel  
Legal Division - ACC  
1200 West Washington Street  
Phoenix, Arizona 85007

Kaycee Conger, Administrative Manager  
Las Quintas Serenas Water Company  
P. O. Box 68  
Sahuarita, Arizona 85629

## **APPENDIX “A”**

Las Quintas Serenas Water Co.  
Docket No. W-01583A-06-\_\_\_\_\_

## TARIFF SCHEDULE

Utility: Las Quintas Serenas Water Co.  
Docket No: W-01583A-04-  
Phone No. 520.625.8040

Tariff Sheet No: 1 of 3  
Decision No: \_\_\_\_\_  
Effective: \_\_\_\_\_

### ARSENIC IMPACT HOOK-UP FEE TARIFF

#### I. Purpose and Applicability

The purpose of the Arsenic Impact Fee Tariff, payable to **Las Quintas Serenas Water Co.** ("the Company") pursuant to this tariff, is to equitably apportion the costs of constructing water treatment plant facilities to treat and remove arsenic. These charges are applicable to all new service connections established on or after the effective date of the tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

#### II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's ("Commission") rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with the Company for the installation of water facilities to serve new service connections.

"Arsenic Treatment Facilities" means treatment equipment and related appurtenances necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion ("ppb") arsenic standards.

"Company" means **Las Quintas Serenas Water Co.**, an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Commission's Utilities Division (same as line extension agreement).

"Service Connection" means and includes all service connections for residential, commercial, industrial, standpipe, or other uses, regardless of meter size.

#### III. Arsenic Impact Hook-Up Fee Tariff Charges

Each new service connection shall pay the Arsenic Impact Hook-Up Fee Tariff derived from the following table:

## TARIFF SCHEDULE

Utility: Las Quintas Serenas Water Co.  
Docket No: W-01583A-04-  
Phone No. 520.625.8040

Tariff Sheet No: 2 of 3  
Decision No: \_\_\_\_\_  
Effective: \_\_\_\_\_

ARSENIC IMPACT HOOK-UP FEE TARIFF TABLE		
Meter Size	Meter Factor	Fee
5/8" X 3/4"	1	\$1,120.88
3/4"	1.5	\$1,681.33
1"	2.5	\$2,802.21
1 1/2"	5	\$5,604.42
2"	8	\$8,967.07
3"	16	\$17,934.14
4"	25	\$28,022.09
6"	50	\$56,044.18
Standpipe	1	\$1,120.88

### IV. Terms and Conditions

- (A) Assessment of One-Time Arsenic Impact Hook-Up Fee: The Arsenic Impact Hook-Up Fee may be assessed only once per service connection (similar to service line and meter installation charges), or lot within a platted subdivision (similar to off-site facilities hook-up fees). This provision does not exempt from the tariff, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Arsenic Impact Hook-Up Fee Funds: All funds collected by the Company pursuant to the Arsenic Impact Fee Tariff shall be deposited into a separate account as named in the Company's chart of accounts to be listed and kept separate from normal business operating accounts and used solely for the purposes of paying for the costs of arsenic treatment facilities (including engineering and design costs for such facilities), including repayment of loan(s) obtained for the installation of arsenic treatment facilities that will benefit the entire water system. Funds collected by the Arsenic Impact Hook-up Fee Tariff shall not be used for expenses, maintenance, or operational purposes.
- (C) Time of Payment:
- i. In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants, and other on-site improvements in order to extend service in accordance with R-14-2-406(B), payment of the charges required hereunder, as to service connections to be served through such facilities and improvements, shall be made by the Applicant within fifteen (15) calendar days after receipt of notification from the Company that the Utilities Division of the Commission has approved the main extension agreement in accordance with R-14-2-406(M).

## TARIFF SCHEDULE

Utility: Las Quintas Serenas Water Co.  
Docket No: W-01583A-04-  
Phone No. 520.625.8040

Tariff Sheet No: 3 of 3  
Decision No: \_\_\_\_\_  
Effective: \_\_\_\_\_

- ii. In the event the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the service line and meter installation charge is due and payable.

- (D) Failure to Pay Charges, Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this tariff.
- (E) Arsenic Impact Hook-Up Fee Tariff Non-Refundable: The amounts collected by the Company pursuant to the tariff shall be non-refundable advances in aid of construction.
- (F) Arsenic Impact Hook-Up Fee in Addition to Other Charges: The Arsenic Impact Fee shall be in addition to any costs associated with a main extension agreement otherwise required for on-site facilities, and is in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (G) Disposition of Excess Funds: After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the tariff has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (H) Distinguished from Arsenic Cost Recovery Mechanism: The Arsenic Impact Fee which is the subject of this tariff is separate and to be distinguished from the Arsenic Cost Recovery Mechanism which was authorized as a part of the Company's charges for water service in Commission Decision No. 68718.
- (I) Distinguished from Existing Off-Site Facilities Hook-Up Fees: The Arsenic Impact Fee which is subject of this tariff is separate and to be distinguished from the Existing Off-Site Facilities Hook-Up Fees which was authorized as part of the Company's charges for water service in Commission Decision No. 67455, dated January 1, 2005.
- (J) Status Reporting Requirement to the Commission: The Company shall file with Docket Control by January 31<sup>st</sup> of each year, an annual calendar year status report, until the Arsenic Impact Hook-Up Fee Tariff is no longer in effect. This status report shall contain a list of all customers that have paid the Arsenic Impact Hook-Up Fee Tariff, the amount of money spent from the account, and a list of the facilities that have been installed with funds from the Arsenic Impact Hook-Up Fee Tariff for arsenic during the 12-month period.

## **APPENDIX “B”**

Las Quintas Serenas Water Co.  
Docket No. W-01583A-06-\_\_\_\_\_

**LAO QUINCY CLEANING FACILITY CAPITAL COST BREAKDOWN**  
**Arsenic Treatment Facilities Capital Cost Breakdown**

Item Description	Amount
Site Demolition	12,500.00
Site Piping - Well Site No. 6	92,000.00
Concrete Slabs	18,000.00
12 inch Main between Wells Nos. 6 and 7	199,125.00
250,000 Gallon Storage Reservoir	190,000.00
Transfer Booster Station	220,000.00
1,290 gpm Absorption Arsenic Treatment System	400,000.00
Backwash Holding Tank - Well No. 6	25,000.00
200 gpm Absorption Arsenic Treatment System - Well No. 5	150,071.00
Backwash Tank - Well No. 5	4,000.00
130 kW Back-Up Generator - Well No. 6	60,000.00
Fencing - Well Site No. 6	43,000.00
Well Pump Modifications - Well Nos. 6 and 7	30,000.00
Three (3) Chlorination Units	6,000.00
Three (3) Sand Separators	13,827.00
3,000 Gallon Pressure Tank - Well No. 6	20,000.00
Electrical	47,800.00
Air Compressor	5,000.00
Disinfection and Testing	5,000.00
<b>Subtotal</b>	<b>1,541,323.00</b>
Tax at 5.59%	86,160.00
Bond	10,800.00
15% Engineering and Contingency	1,638,313.00
	245,747.00
<b>Total Company's Costs</b>	<b>\$1,884,060.00</b>
Company Estimate	1,541,323.00
Less Storage	-190,000.00
Less Generator	-60,000.00
<b>Subtotal</b>	<b>1,291,323.00</b>
Tax at 5.59%	72,185.00
Bond	10,800.00
15% Engineering and Contingency	1,374,308.00
	206,146.00
<b>TOTAL CAPITAL COSTS</b>	<b>\$1,580,446.00</b>

## **APPENDIX “C”**

Las Quintas Serenas Water Co.  
Docket No. W-01583A-06-\_\_\_\_\_

**Las Quinta Serenas Water Company  
Hook-up Fee Computation**

Loan Authorized       \$   1,580,446

**Total Customers:**

	<b>Annualized Customers At <u>5/30/2006</u></b>	<b>5/8 x 3/4 Inch Meter Equivalent Meter <u>Converter</u></b>	<b>Final Equivalent Meters</b>
5/8 x 3/4 Inch Meter	809	1	809
3/4 Inch Meter	5	1.5	8
1 Inch Meter	35	2.5	88
1 1/2 Inch Meter	6	5	30
2 Inch Meter	3	8	24
3 Inch Meter	-	16	-
4 Inch Meter	2	25	50
6 Inch Meter	-	50	-
Standpipe	162	1	162
Customer Additions	240	1	240
Yearly Adds	48		
Totals			<u>1,410</u>

Loan	1,580,446
Equivalent Meters	<u>1,410</u>
Hook-up Fee for 5/8 x 3/4 Inch Meter	<u><b>\$ 1,120.88</b></u>

Annual Revenue to be realized from Hook-up Fee Charge  
 Equals Annual customer additions times hookup Fee       **\$ 53,802**

		<b>Hook-up Fee by Meter Size</b>
5/8 x 3/4 Inch Meter		\$ 1,120.88
3/4 Inch Meter	1.5	\$ 1,681.33
1 Inch Meter	2.5	\$ 2,802.21
1 1/2 Inch Meter	5	\$ 5,604.42
2 Inch Meter	8	\$ 8,967.07
3 Inch Meter	16	\$ 17,934.14
4 Inch Meter	25	\$ 28,022.09
6 Inch Meter	50	\$ 56,044.18
Standpipe	1	\$ 1,120.88